

NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Cline, DeVries & Allen, LLP today released an audit report on the City of Jefferson, Iowa.

The City and its component unit receipts totaled \$5,918,281 for the year ended June 30, 2009, a less than one percent increase from 2008. The receipts included \$1,664,104 in property tax, \$113,542 from tax increment financing collections, \$2,837,914 from charges for service, \$616,213 from operating grants, contributions and restricted interest, \$59,945 from unrestricted investment earnings and \$626,563 from other general receipts.

Disbursements for the year totaled \$5,430,372, a four percent decrease from the prior year, and included \$522,416 for public safety, \$865,424 for culture and recreation, and \$583,660 for capital projects. Also, disbursements for business type activities totaled \$2,012,840.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

**CITY OF JEFFERSON**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2009**

---

## Table of Contents

|  | <u>Page</u>     |
|--|-----------------|
| Officials  | 3               |
| Independent Auditors' Report   | 5-6             |
| Basic Financial Statements:  | <u>Exhibit</u>  |
| Government-wide Financial Statement:   |                 |
| Statement of Activities and Net Assets – Cash Basis  | A      9-10     |
| Governmental Fund Financial Statements:  |                 |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances  | B      11-12    |
| Proprietary Fund Financial Statements:   |                 |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances  | C      13       |
| Notes to Financial Statements  | 14-22           |
| Required Supplementary Information:  |                 |
| Budgetary Comparison Schedule of Receipts, Disbursements and<br>Changes in Balances - Budget and Actual (Cash Basis) – All Governmental<br>Funds and Proprietary Funds   | 24-25           |
| Notes to Required Supplementary Information – Budgetary Reporting  | 26              |
| Other Supplementary Information:   | <u>Schedule</u> |
| Statement of Cash Receipts, Disbursements and Changes in<br>Cash Balances - Nonmajor Governmental Funds  | 1      28-32    |
| Schedule of Indebtedness   | 2      33-34    |
| Bond and Note Maturities   | 3      35-36    |
| Schedule of Receipts by Source and Disbursements by Function –<br>All Governmental Funds   | 4      37       |
| Independent Auditors' Report on Internal Control over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing Standards | 39-40           |
| Schedule of Findings   | 42-46           |

---

City of Jefferson

Officials

| <u>Name</u>           | <u>Title</u>   | <u>Term Expires</u> |
|-----------------------|----------------|---------------------|
| Craig Berry           | Mayor          | Jan 2012            |
| Larry Teeple          | Council Member | Jan 2010            |
| Nancy Teusch          | Council Member | Jan 2010            |
| Randy Monthei         | Council Member | Jan 2012            |
| Bill Figenshaw        | Council Member | Jan 2010            |
| Shannon Black         | Council Member | Jan 2012            |
| Diane Kennedy         | Clerk          | Jan 2010            |
| Robert A. Schwarzkopf | Attorney       | Jan 2010            |

**City of Jefferson**

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Jefferson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Jefferson as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2010 on our consideration of the City of Jefferson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Budgetary comparison information on pages 24-26 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jefferson's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements, which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 11, 2010  
Ames, Iowa

**City of Jefferson**



## **Basic Financial Statements**

# City of Jefferson

## Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

|   | Disbursements       | Program Receipts    |  |   |
|---|---------------------|---------------------|--|---|
|   |                     | Charges for Service | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions / Programs:</b>            |                     |                     |  |   |
| <b>Governmental activities:</b>         |                     |                     |  |   |
| Public safety                           | \$ 522,416          | 20,157              | 29,341   | -   |
| Public works                            | 395,213             | 3,962               | 413,588  | -   |
| Culture and recreation                  | 865,424             | 332,676             | 85,353   | -   |
| Community and economic development      | 224,503             | 22,028              | 50,182   | -   |
| Health and social services              | 9,202               | -                   | -  | -   |
| General government                      | 447,921             | -                   | -  | -   |
| Debt service                            | 337,605             | -                   | -  | -   |
| Capital projects                        | 583,660             | 128,781             | 33,839   | -   |
| Total governmental activities           | 3,385,944           | 507,604             | 612,303  | -   |
| <b>Business type activities:</b>        |                     |                     |  |   |
| Water                                   | 836,946             | 1,011,145           | -  | -   |
| Sewer                                   | 654,631             | 767,644             | 3,910  | -   |
| Sanitation                              | 407,071             | 468,451             | -  | -   |
| Recycling                               | 114,192             | 83,070              | -  | -   |
| Total business type activities          | 2,012,840           | 2,330,310           | 3,910  | -   |
| <b>Component Unit:</b>                  |                     |                     |  |   |
| Airport                                 | 31,588              | -                   | -  | -   |
| <b>Total</b>                            | <b>\$ 5,430,372</b> | <b>2,837,914</b>    | <b>616,213</b>   | <b>-</b>  |
| <b>General Receipts:</b>                |                     |                     |  |   |
| Property tax levied for:                |                     |                     |  |   |
| General purposes                        |                     |                     |  |   |
| Tax increment financing                 |                     |                     |  |   |
| Debt service                            |                     |                     |  |   |
| Local option tax                        |                     |                     |  |   |
| Hotel/motel taxes                       |                     |                     |  |   |
| Cable television                        |                     |                     |  |   |
| Unrestricted interest on investments    |                     |                     |  |   |
| Loan proceeds                           |                     |                     |  |   |
| Sale of assets                          |                     |                     |  |   |
| Miscellaneous                           |                     |                     |  |   |
| Rent/dividend                           |                     |                     |  |   |
| Transfers                               |                     |                     |  |   |
| Total general receipts and transfers    |                     |                     |  |   |
| Change in cash basis net assets         |                     |                     |  |   |
| Cash basis net assets beginning of year |                     |                     |  |   |
| Cash basis net assets end of year       |                     |                     |  |   |
| <b>Cash Basis Net Assets</b>            |                     |                     |  |   |
| Restricted:                             |                     |                     |  |   |
| Streets                                 |                     |                     |  |   |
| Urban renewal purposes                  |                     |                     |  |   |
| Debt service                            |                     |                     |  |   |
| Unrestricted                            |                     |                     |  |   |
| Total cash basis net assets             |                     |                     |  |   |

See notes to financial statements.

| Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                             |                             |   |
|--|-----------------------------|-----------------------------|---|
| Governmental<br>Activities   | Business Type<br>Activities | Total Primary<br>Government | Major Discretely<br>Presented<br>Component Unit |
| (472,918)  | -                           | (472,918)                   | -   |
| 22,337   | -                           | 22,337                      | -   |
| (447,395)  | -                           | (447,395)                   | -   |
| (152,293)  | -                           | (152,293)                   | -   |
| (9,202)  | -                           | (9,202)                     | -   |
| (447,921)  | -                           | (447,921)                   | -   |
| (337,605)  | -                           | (337,605)                   | -   |
| (421,040)  | -                           | (421,040)                   | -   |
| (2,266,037)  | -                           | (2,266,037)                 | -   |
| -  | 174,199                     | 174,199                     | -   |
| -  | 116,923                     | 116,923                     | -   |
| -  | 61,380                      | 61,380                      | -   |
| (31,122)   | -                           | (31,122)                    | -   |
| (31,122)   | 352,502                     | 321,380                     | -   |
| -  | -                           | -                           | 31,588  |
| (2,297,159)  | 352,502                     | (1,944,657)                 | 31,588  |
| 1,335,001  | -                           | 1,335,001                   | -   |
| 113,542  | -                           | 113,542                     | -   |
| 329,103  | -                           | 329,103                     | -   |
| 381,430  | -                           | 381,430                     | -   |
| 52,088   | -                           | 52,088                      | -   |
| 28,395   | -                           | 28,395                      | -   |
| 25,279   | 34,666                      | 59,945                      | -   |
| -  | -                           | -                           | -   |
| 42,850   | -                           | 42,850                      | -   |
| 46,489   | 14,900                      | 61,389                      | 8,050   |
| 14,710   | -                           | 14,710                      | 37,651  |
| 171,000  | (171,000)                   | -                           | -   |
| 2,539,887  | (121,434)                   | 2,418,453                   | 45,701  |
| 242,728  | 231,068                     | 473,796                     | 14,113  |
| 2,446,058  | 1,484,595                   | 3,930,653                   | 15,406  |
| \$ 2,688,786   | 1,715,663                   | 4,404,449                   | 29,519  |
| \$ 241,049   | -                           | 241,049                     | -   |
| 159,773  | -                           | 159,773                     | -   |
| 65,441   | 382,334                     | 447,775                     | -   |
| 2,222,523  | 1,333,329                   | 3,555,852                   | 29,519  |
| \$ 2,688,786   | 1,715,663                   | 4,404,449                   | 29,519  |

City of Jefferson

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2009

|  | Special Revenue |                   |              |                  |
|--|-----------------|-------------------|--------------|------------------|
|  | General         | Employee Benefits | Road Use Tax | Local Option Tax |
| Receipts:  |                 |                   |              |                  |
| Property tax   | \$ 895,117      | 439,884           | -            | -                |
| Tax increment financing collections                        | -               | -                 | -            | -                |
| Other city tax   | 80,483          | -                 | -            | 381,430          |
| Licenses and permits                                       | 17,592          | -                 | -            | -                |
| Use of money and property                                  | 26,674          | -                 | -            | -                |
| Intergovernmental  | 83,419          | -                 | 360,821      | -                |
| Charges for service  | 294,496         | -                 | -            | -                |
| Miscellaneous  | 299,290         | -                 | 12,396       | 2,606            |
| Total receipts   | 1,697,071       | 439,884           | 373,217      | 384,036          |
| Disbursements:   |                 |                   |              |                  |
| Operating:   |                 |                   |              |                  |
| Public safety  | 518,705         | -                 | -            | -                |
| Public works   | 52,435          | -                 | 342,778      | -                |
| Culture and recreation                                     | 851,877         | -                 | -            | -                |
| Community and economic development                         | 70,768          | -                 | -            | -                |
| Health and social services                                 | -               | -                 | -            | -                |
| General government   | 447,921         | -                 | -            | -                |
| Debt service   | -               | -                 | -            | -                |
| Capital projects   | -               | -                 | -            | 260,989          |
| Business type activities                                   | -               | -                 | -            | -                |
| Total disbursements  | 1,941,706       | -                 | 342,778      | 260,989          |
| Excess (deficiency) of receipts over (under) disbursements | (244,635)       | 439,884           | 30,439       | 123,047          |
| Other financing sources (uses):                            |                 |                   |              |                  |
| Note proceeds  | -               | -                 | -            | -                |
| Sale of cemetery lots                                      | -               | -                 | -            | -                |
| Sale of capital assets                                     | -               | -                 | -            | -                |
| Operating transfers in                                     | 594,000         | -                 | -            | -                |
| Operating transfers out                                    | (48,000)        | (376,000)         | (59,000)     | -                |
| Total other financing sources (uses)                       | 546,000         | (376,000)         | (59,000)     | -                |
| Net change in cash balances                                | 301,365         | 63,884            | (28,561)     | 123,047          |
| Cash balances beginning of year                            | 660,182         | 54,926            | 269,610      | 342,747          |
| Cash balances end of year                                  | \$ 961,547      | 118,810           | 241,049      | 465,794          |
| Cash Basis Fund Balances                                   |                 |                   |              |                  |
| Reserved:  |                 |                   |              |                  |
| Debt service   | \$ -            | -                 | -            | -                |
| Unreserved:  |                 |                   |              |                  |
| General fund   | 961,547         | -                 | -            | -                |
| Special revenue funds                                      | -               | 118,810           | 241,049      | 465,794          |
| Capital projects funds                                     | -               | -                 | -            | -                |
| Permanent fund   | -               | -                 | -            | -                |
| Total cash basis fund balances                             | \$ 961,547      | 118,810           | 241,049      | 465,794          |

See notes to financial statements.

| Other<br>Nonmajor<br>Governmental<br>Funds | Total     |
|--|-----------|
| 329,103                                    | 1,664,104 |
| 113,542                                    | 113,542   |
| -  | 461,913   |
| -  | 17,592    |
| 3,243                                      | 29,917    |
| 73,934                                     | 518,174   |
| 83,070                                     | 377,566   |
| 74,764                                     | 389,056   |
| 677,656                                    | 3,571,864 |
| 3,711                                      | 522,416   |
| -  | 395,213   |
| 13,547                                     | 865,424   |
| 153,735                                    | 224,503   |
| 9,202                                      | 9,202     |
| -  | 447,921   |
| 337,605                                    | 337,605   |
| 322,671                                    | 583,660   |
| 114,192                                    | 114,192   |
| 954,663                                    | 3,500,136 |
| (277,007)                                  | 71,728    |
| -  | -         |
| -  | -         |
| -  | -         |
| 72,500                                     | 666,500   |
| (12,500)                                   | (495,500) |
| 60,000                                     | 171,000   |
| (217,007)                                  | 242,728   |
| 1,118,593                                  | 2,446,058 |
| 901,586                                    | 2,688,786 |
| 65,441                                     | 65,441    |
| -  | 961,547   |
| 704,696                                    | 1,530,349 |
| (64,564)                                   | (64,564)  |
| 196,013                                    | 196,013   |
| 901,586                                    | 2,688,786 |

## City of Jefferson

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2009

|  | Enterprise Funds |          |            |           | Component      | Total     |
|--|------------------|----------|------------|-----------|----------------|-----------|
|  | Water            | Sewer    | Sanitation | Total     | Unit - Airport |           |
| Operating receipts:  |                  |          |            |           |                |           |
| Use of money and property  | \$ 16,598        | 18,068   | -          | 34,666    | 37,651         | 72,317    |
| Charges for service  | 1,011,145        | 767,644  | 468,451    | 2,247,240 | -              | 2,247,240 |
| Intergovernmental  | -                | 3,910    | -          | 3,910     | -              | 3,910     |
| Miscellaneous  | 14,624           | 276      | -          | 14,900    | 8,050          | 22,950    |
| Total operating receipts   | 1,042,367        | 789,898  | 468,451    | 2,300,716 | 45,701         | 2,346,417 |
| Operating disbursements:   |                  |          |            |           |                |           |
| Public works   | -                | -        | -          | -         | 31,588         | 31,588    |
| Business type activities   | 836,946          | 654,631  | 407,071    | 1,898,648 | -              | 1,898,648 |
| Total operating disbursements  | 836,946          | 654,631  | 407,071    | 1,898,648 | 31,588         | 1,930,236 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 205,421          | 135,267  | 61,380     | 402,068   | 14,113         | 416,181   |
| Other financing sources (uses):  |                  |          |            |           |                |           |
| Operating transfers in   | -                | -        | -          | -         | -              | -         |
| Operating transfers out  | (50,000)         | (59,000) | (62,000)   | (171,000) | -              | (171,000) |
| Total other financing sources (uses)   | (50,000)         | (59,000) | (62,000)   | (171,000) | -              | (171,000) |
| Net change in cash balances  | 155,421          | 76,267   | (620)      | 231,068   | 14,113         | 245,181   |
| Cash balances beginning of year  | 897,149          | 171,078  | 416,368    | 1,484,595 | 15,406         | 1,500,001 |
| Cash balances end of year  | \$ 1,052,570     | 247,345  | 415,748    | 1,715,663 | 29,519         | 1,745,182 |
| Cash Basis Fund Balances   |                  |          |            |           |                |           |
| Reserved for debt service  | \$ 258,090       | 124,244  | -          | 382,334   | -              | 382,334   |
| Unreserved   | 794,480          | 123,101  | 415,748    | 1,333,329 | 29,519         | 1,362,848 |
| Total cash basis fund balances   | \$ 1,052,570     | 247,345  | 415,748    | 1,715,663 | 29,519         | 1,745,182 |

See notes to financial statements.

City of Jefferson

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Jefferson is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jefferson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jefferson (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operate the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport is presented as a Business Type Fund.

### Jointly Governed Organizations

The City participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Greene County Recycling Agency, the Midwest Partnership, Central Iowa Area Safety and Support Organization and the Greene County Law Enforcement Entity Board.

City officials are also members of the Greene County Development Corporation (GCDC) Board. The City paid a total of \$45,000 to GCDC during the fiscal year ended June 30, 2009.

City officials are also members of the North Dallas County Landfill Commission. See Note 8 for disclosures.

### **B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.



The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for employee benefits financed by the levy for employee benefits.

The Local Option Tax Fund is used to account for local option taxes.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation of the City's sanitation services.

The City also reports the following component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

**C. Measurement Focus and Basis of Accounting**

The City of Jefferson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and

disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public works and business type functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit own approximately \$2,325 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. Therefore market value of the stock is not determinable. The stock is recorded on the books at \$2,325. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$369 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust and the Coop stock are unrated.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, the recycling truck and revenue bonds and notes are as follows:

| Year<br>Ending<br>June 30, | General Obligation<br>Bonds |          | Recycling<br>Truck |          | Revenue Bonds<br>and Notes |          | Total     |           |
|----------------------------|-----------------------------|----------|--------------------|----------|----------------------------|----------|-----------|-----------|
|                            | Principal                   | Interest | Principal          | Interest | Principal                  | Interest | Principal | Interest  |
| 2010                       | \$ 270,000                  | 63,411   | 9,548              | 1,203    | 412,000                    | 133,392  | 682,000   | 196,803   |
| 2011                       | 290,000                     | 54,681   | 9,845              | 906      | 428,000                    | 120,388  | 718,000   | 175,069   |
| 2012                       | 305,000                     | 45,546   | 10,151             | 600      | 439,000                    | 106,310  | 744,000   | 151,856   |
| 2013                       | 315,000                     | 35,328   | 10,467             | 284      | 215,000                    | 91,530   | 530,000   | 126,858   |
| 2014                       | 330,000                     | 24,460   | 2,667              | 21       | 221,000                    | 85,080   | 551,000   | 109,540   |
| 2015-2019                  | 340,000                     | 12,580   | -                  | -        | 1,211,000                  | 321,750  | 1,551,000 | 334,330   |
| 2020-2024                  | -                           | -        | -                  | -        | 1,404,000                  | 128,910  | 1,404,000 | 128,910   |
| Total                      | \$ 1,850,000                | 236,006  | 42,678             | 3,014    | 4,330,000                  | 987,360  | 6,180,000 | 1,223,366 |

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions.

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts within the Enterprise Funds for the sole purpose of making the bond and note principal and interest payments when due.
- (c) There shall be set apart and paid into the City's Water Revenue Debt Service Reserve Fund (the Reserve Fund) at the time of delivery the sum of \$182,000. Whenever the sum on deposit in the Reserve Fund has been reduced to less than the required balance, there shall be deposited into the Reserve Fund from the Net Revenues remaining, after first making the required deposits into the Operation and Maintenance Fund and the Sinking Fund, a sum equal to 25% of that month's total deposits into the Sinking Fund, until the sum on deposit in the Reserve Fund has been restored to the Required Reserve Fund Balance. All money credited to the Reserve Fund shall be used and is hereby pledged for the payment of principal and interest on the Series 2003 Bonds and any Parity Obligations whenever the Sinking Fund balance is insufficient.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary

information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$94,584, \$86,965 and \$84,506, respectively, equal to the required contributions for each year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

| Type of Benefit | Amount           |
|-----------------|------------------|
| Vacation        | <u>\$ 52,386</u> |

This liability has been computed based on rates of pay in effect at June 30, 2009. Sick leave is payable when used. It is not paid upon termination, retirement, or death.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| Transfer to                          | Transfer from                                   | Amount                |
|--------------------------------------|---|-----------------------|
| Special Revenue:                     |   |                       |
| Downpayment Assistance               | General   | 2,000                 |
| Health Insurance Sinking             | General   | 9,000                 |
| Police Federal Forfeiture            | General   | 4,000                 |
| Equipment Replacement                | General   | 33,000                |
| Equipment Replacement                | Special Revenue:<br>Recycling                   | 7,500                 |
| Equipment Replacement                | Enterprise:<br>Sanitation                       | 10,000                |
|                                      |   | <u>65,500</u>         |
| Capital Project:<br>Sewer Force Main | Enterprise:<br>Sewer                            | <u>7,000</u>          |
| General                              | Special Revenue:<br>Urban Renewal Tax Increment |                       |
| General                              | Road Use Tax                                    | 59,000                |
| General                              | Employee Benefits                               | 376,000               |
| General                              | Recycling                                       | 5,000                 |
| General                              | Enterprise:<br>Water                            | 50,000                |
| General                              | Sewer   | 52,000                |
| General                              | Sanitation                                      | 52,000                |
|                                      |   | <u>594,000</u>        |
| Total                                |   | <u><u>666,500</u></u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) North Dallas County Landfill

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

(9) Lease

The City has entered into a lease agreement with Van Horn Partnership for approximately 133 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2009, the City received a total of \$23,691 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

The City also entered into a new lease with the Greene County Early Learning Center. The Center used it to provide an after school program and in-service day program and summer day camp programs. The Center paid monthly installments of \$167. The lease will expire August 31, 2010.

(10) Health Insurance

The City's health insurance plan includes a deductible of \$500 for single coverage and \$1,000 for family coverage. The City pays the first \$200 for individuals with single coverage and the first \$400 for individuals with family coverage. The City also pays up to a maximum of \$500 per employee per year for in-patient hospitalization.

(11) Economic Development

During the fiscal year ended June 30, 2004, the City entered into a development agreement with West Central Coop in which the City agreed to pay \$660,000 in tax increment payments.

(12) Deficit Fund Balance

The City had deficit balances in the following funds at June 30, 2009:

Capital Projects Funds:

|                            |         |
|----------------------------|---------|
| Railroad Grade Separation  | 294,541 |
| Harrison Street Sewer Main | 30,877  |

The deficits in the projects will be eliminated by transfers.

**(13) Construction Commitments**

The City has entered into various construction contracts totaling approximately \$264,725. The unpaid contract balances as of June 30, 2009 totaled approximately \$5,627 which will be paid as work on the projects progresses.

**(14) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$14,173 during the year ended June 30, 2009.

## **Required Supplementary Information**



**City of Jefferson**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year ended June 30, 2009**

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Discretely Presented<br>Component Unit<br>Included in<br>the Budget | Net       |
|---|---------------------------------|--------------------------------|---|-----------|
| <b>Receipts:</b>  |                                 |                                |   |           |
| Property tax  | \$ 1,664,104                    | -                              | -   | 1,664,104 |
| Tax increment financing collections   | 113,542                         | -                              | -   | 113,542   |
| Other city tax  | 461,913                         | -                              | -   | 461,913   |
| Licenses and permits  | 17,592                          | -                              | -   | 17,592    |
| Use of money and property   | 29,917                          | 34,666                         | 37,651  | 102,234   |
| Intergovernmental   | 518,174                         | 3,910                          | -   | 522,084   |
| Charges for service   | 377,566                         | 2,247,240                      | -   | 2,624,806 |
| Special assessments   | -                               | -                              | -   | -         |
| Miscellaneous   | 389,056                         | 14,900                         | 8,050   | 412,006   |
| Total receipts  | 3,571,864                       | 2,300,716                      | 45,701  | 5,918,281 |
| <b>Disbursements:</b>   |                                 |                                |   |           |
| Public safety   | 522,416                         | -                              | -   | 522,416   |
| Public works  | 395,213                         | -                              | -   | 395,213   |
| Health and Social Services  | 9,202                           | -                              | -   | 9,202     |
| Culture and recreation  | 865,424                         | -                              | -   | 865,424   |
| Community and economic development  | 224,503                         | -                              | -   | 224,503   |
| General government  | 447,921                         | -                              | -   | 447,921   |
| Debt service  | 337,605                         | -                              | -   | 337,605   |
| Capital projects  | 583,660                         | -                              | -   | 583,660   |
| Business type activities  | 114,192                         | 1,898,648                      | 31,588  | 2,044,428 |
| Total disbursements   | 3,500,136                       | 1,898,648                      | 31,588  | 5,430,372 |
| Excess (deficiency) of receipts<br>over (under) disbursements   | 71,728                          | 402,068                        | 14,113  | 487,909   |
| Other financing sources, net  | 171,000                         | (171,000)                      | -   | -         |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | 242,728                         | 231,068                        | 14,113  | 487,909   |
| Balances beginning of year  | 2,446,058                       | 1,484,595                      | 15,406  | 3,946,059 |
| Balances end of year  | \$ 2,688,786                    | 1,715,663                      | 29,519  | 4,433,968 |

See accompanying independent auditors' report.

| Budgeted Amounts |           | Final to<br>Net<br>Variance |
|------------------|-----------|-----------------------------|
| Original         | Final     |                             |
| 1,622,046        | 1,622,046 | 42,058                      |
| 106,400          | 113,600   | (58)                        |
| 342,716          | 476,716   | (14,803)                    |
| 34,225           | 20,575    | (2,983)                     |
| 139,185          | 107,901   | (5,667)                     |
| 518,222          | 497,857   | 24,227                      |
| 2,655,159        | 2,637,309 | (12,503)                    |
| -                | 1,000     | (1,000)                     |
| 40,275           | 295,440   | 116,566                     |
| 5,458,228        | 5,772,444 | 145,837                     |
| 524,097          | 524,097   | 1,681                       |
| 447,118          | 392,118   | (3,095)                     |
| 11,500           | 14,500    | 5,298                       |
| 866,270          | 894,270   | 28,846                      |
| 213,200          | 248,200   | 23,697                      |
| 488,508          | 488,508   | 40,587                      |
| 337,805          | 337,805   | 200                         |
| 469,580          | 711,580   | 127,920                     |
| 1,987,338        | 1,987,338 | (57,090)                    |
| 5,345,416        | 5,598,416 | 168,044                     |
| 112,812          | 174,028   | 313,881                     |
| -                | -         | -                           |
| 112,812          | 174,028   | 313,881                     |
| 3,576,634        | 3,576,634 | 369,425                     |
| 3,689,446        | 3,750,662 | 683,306                     |

City of Jefferson

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Proprietary Funds, the Permanent Fund and the Component Unit. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts and disbursements by \$314,216 and \$253,000 respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public works and business type functions.

## Other Supplementary Information

City of Jefferson

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2009

|   |            |                                |                |                              | Special                |               |
|---|------------|--------------------------------|----------------|------------------------------|------------------------|---------------|
|   |            |                                |                |                              | LEC                    |               |
|   | Recycling  | Urban Renewal<br>Tax Increment | Enrich<br>Iowa | Unemployment<br>Compensation | Capital<br>Improvement | Skate<br>Park |
| <b>Receipts:</b>  |            |                                |                |                              |                        |               |
| Property taxes  | \$ -       | -                              | -              | -                            | -                      | -             |
| Tax increment financing                                       | -          | 113,542                        | -              | -                            | -                      | -             |
| Other city tax  | -          | -                              | -              | -                            | -                      | -             |
| Use of money and property                                     | -          | -                              | -              | 2,239                        | -                      | -             |
| Intergovernmental   | 38,659     | -                              | 2,316          | -                            | 4,593                  | -             |
| Charges for service   | 83,070     | -                              | -              | -                            | -                      | -             |
| Miscellaneous   | -          | -                              | -              | -                            | -                      | -             |
| Total receipts  | 121,729    | 113,542                        | 2,316          | 2,239                        | 4,593                  | -             |
| <b>Disbursements:</b>   |            |                                |                |                              |                        |               |
| Operating:  |            |                                |                |                              |                        |               |
| Public safety   | -          | -                              | -              | -                            | 2,955                  | -             |
| Public works  | -          | -                              | -              | -                            | -                      | -             |
| Culture and recreation  | -          | -                              | 2,316          | -                            | -                      | -             |
| Community and economic development                            | -          | 134,400                        | -              | -                            | -                      | -             |
| Health and social services                                    | -          | -                              | -              | -                            | -                      | -             |
| General government  | -          | -                              | -              | -                            | -                      | -             |
| Debt service  | -          | -                              | -              | -                            | -                      | -             |
| Capital projects  | -          | -                              | -              | -                            | -                      | -             |
| Business type activities                                      | 114,192    | -                              | -              | -                            | -                      | -             |
| Total disbursements   | 114,192    | 134,400                        | 2,316          | -                            | 2,955                  | -             |
| Excess (deficiency) of receipts<br>over (under) disbursements | 7,537      | (20,858)                       | -              | 2,239                        | 1,638                  | -             |
| Loan Proceeds   | -          | -                              | -              | -                            | -                      | -             |
| Operating transfers in(out)                                   | (12,500)   | -                              | -              | -                            | -                      | -             |
| Total other financing sources                                 | (12,500)   | -                              | -              | -                            | -                      | -             |
| Net change in cash balances                                   | (4,963)    | (20,858)                       | -              | 2,239                        | 1,638                  | -             |
| Cash balances beginning of year                               | 142,928    | 180,631                        | 1,387          | 25,438                       | 7,271                  | 1,525         |
| Cash balances end of year                                     | \$ 137,965 | 159,773                        | 1,387          | 27,677                       | 8,909                  | 1,525         |
| <b>Cash Basis Fund Balances</b>                               |            |                                |                |                              |                        |               |
| Unreserved:   |            |                                |                |                              |                        |               |
| Special revenue funds   | \$ 137,965 | 159,773                        | 1,387          | 27,677                       | 8,909                  | 1,525         |
| Debt service funds  | -          | -                              | -              | -                            | -                      | -             |
| Capital projects funds  | -          | -                              | -              | -                            | -                      | -             |
| Permanent fund  | -          | -                              | -              | -                            | -                      | -             |
| Total cash basis fund balances                                | \$ 137,965 | 159,773                        | 1,387          | 27,677                       | 8,909                  | 1,525         |

See accompanying independent auditors' report.

| Revenue |                                  |   |                             |                     |                     |                          |
|---------|----------------------------------|---|-----------------------------|---------------------|---------------------|--------------------------|
| Library | Cemetery<br>Mahaney<br>Mausoleum | Industrial<br>Development<br>Emergency Draw | Cemetery<br>Land<br>Reserve | Community<br>Center | Payroll<br>Clearing | Equipment<br>Replacement |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | 369                              | 424   | 57                          | 16                  | -                   | 138                      |
| 2,231   | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| 10,693  | -                                | -   | 431                         | -                   | -                   | -                        |
| 12,924  | 369                              | 424   | 488                         | 16                  | -                   | 138                      |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| 11,231  | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| 11,231  | -                                | -   | -                           | -                   | -                   | -                        |
| 1,693   | 369                              | 424   | 488                         | 16                  | -                   | 138                      |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | 50,500                   |
| -       | -                                | -   | -                           | -                   | -                   | 50,500                   |
| 1,693   | 369                              | 424   | 488                         | 16                  | -                   | 50,638                   |
| 33,120  | 10,670                           | 34,036                                      | 26,947                      | 5,747               | 7,311               | 58,518                   |
| 34,813  | 11,039                           | 34,460                                      | 27,435                      | 5,763               | 7,311               | 109,156                  |
| 34,813  | 11,039                           | 34,460                                      | 27,435                      | 5,763               | 7,311               | 109,156                  |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| -       | -                                | -   | -                           | -                   | -                   | -                        |
| 34,813  | 11,039                           | 34,460                                      | 27,435                      | 5,763               | 7,311               | 109,156                  |

**City of Jefferson**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**

**Nonmajor Governmental Funds**

**As of and for the year ended June 30, 2009**

|  | Special Revenue               |                      |                        |                |                                      |         |
|--|-------------------------------|----------------------|------------------------|----------------|--------------------------------------|---------|
|  | Health Insurance Sinking Fund | Downtown Streetscape | Downpayment Assistance | Cafeteria Plan | Self Insurance and Employee Benefits | CDBG    |
| <b>Receipts:</b>   |                               |                      |                        |                |                                      |         |
| Property taxes   | -                             | -                    | -                      | -              | -                                    | -       |
| Tax increment financing                                    | -                             | -                    | -                      | -              | -                                    | -       |
| Other city tax   | -                             | -                    | -                      | -              | -                                    | -       |
| Use of money and property                                  | -                             | -                    | -                      | -              | -                                    | -       |
| Intergovernmental  | -                             | -                    | -                      | -              | -                                    | -       |
| Charges for service  | -                             | -                    | -                      | -              | -                                    | -       |
| Miscellaneous  | -                             | 23,933               | -                      | 3,000          | -                                    | 7,000   |
| Total receipts   | -                             | 23,933               | -                      | 3,000          | -                                    | 7,000   |
| <b>Disbursements:</b>                                      |                               |                      |                        |                |                                      |         |
| Operating:   |                               |                      |                        |                |                                      |         |
| Public safety  | -                             | -                    | -                      | -              | -                                    | -       |
| Public works   | -                             | -                    | -                      | -              | -                                    | -       |
| Culture and recreation                                     | -                             | -                    | -                      | -              | -                                    | -       |
| Community and economic development                         | -                             | 450                  | 2,000                  | -              | -                                    | 14,020  |
| Health and social services                                 | 6,110                         | -                    | -                      | 3,092          | -                                    | -       |
| General government   | -                             | -                    | -                      | -              | -                                    | -       |
| Debt service   | -                             | -                    | -                      | -              | -                                    | -       |
| Capital projects   | -                             | -                    | -                      | -              | -                                    | -       |
| Business type activities                                   | -                             | -                    | -                      | -              | -                                    | -       |
| Total disbursements  | 6,110                         | 450                  | 2,000                  | 3,092          | -                                    | 14,020  |
| Excess (deficiency) of receipts over (under) disbursements | (6,110)                       | 23,483               | (2,000)                | (92)           | -                                    | (7,020) |
| SRF loan proceeds  | -                             | -                    | -                      | -              | -                                    | -       |
| Operating transfers in (out)                               | 9,000                         | -                    | 2,000                  | -              | -                                    | -       |
| Total other financing sources (uses)                       | 9,000                         | -                    | 2,000                  | -              | -                                    | -       |
| Net change in cash balances                                | 2,890                         | 23,483               | -                      | (92)           | -                                    | (7,020) |
| Cash balances beginning of year                            | 4,577                         | 31,123               | -                      | 3,898          | 45,090                               | 7,020   |
| Cash balances end of year                                  | 7,467                         | 54,606               | -                      | 3,806          | 45,090                               | -       |
| <b>Cash Basis Fund Balances</b>                            |                               |                      |                        |                |                                      |         |
| Unreserved:  |                               |                      |                        |                |                                      |         |
| Special revenue funds                                      | 7,467                         | 54,606               | -                      | 3,806          | 45,090                               | -       |
| Debt service funds   | -                             | -                    | -                      | -              | -                                    | -       |
| Capital projects funds                                     | -                             | -                    | -                      | -              | -                                    | -       |
| Permanent fund   | -                             | -                    | -                      | -              | -                                    | -       |
| Total cash basis fund balances                             | 7,467                         | 54,606               | -                      | 3,806          | 45,090                               | -       |

See accompanying independent auditors' report.

| Special Revenue        |                           | Debt Service            |                     | Capital Projects      |                      |                      |                  |
|------------------------|---------------------------|-------------------------|---------------------|-----------------------|----------------------|----------------------|------------------|
| Housing Rehabilitation | Police Federal Forfeiture | Tax Increment Financing | General Obligations | Drainage District #89 | Capital Improvements | Airport Improvements | Sewer Force Main |
| -                      | -                         | -                       | 329,103             | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| 17,782                 | 8,353                     | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | 7,894                   | -                   | -                     | -                    | -                    | -                |
| 17,782                 | 8,353                     | 7,894                   | 329,103             | -                     | -                    | -                    | -                |
| -                      | 756                       | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| 2,865                  | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | 337,605             | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | -                     | 10,640               | 19,382               | 7,000            |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| 2,865                  | 756                       | -                       | 337,605             | -                     | 10,640               | 19,382               | 7,000            |
| 14,917                 | 7,597                     | 7,894                   | (8,502)             | -                     | (10,640)             | (19,382)             | (7,000)          |
| -                      | 4,000                     | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | 4,000                     | -                       | -                   | -                     | -                    | -                    | 7,000            |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | 7,000            |
| 14,917                 | 11,597                    | 7,894                   | (8,502)             | -                     | (10,640)             | (19,382)             | -                |
| -                      | -                         | -                       | 66,049              | 265                   | 237,975              | 26,534               | -                |
| 14,917                 | 11,597                    | 7,894                   | 57,547              | 265                   | 227,335              | 7,152                | -                |
| 14,917                 | 11,597                    | -                       | -                   | -                     | -                    | -                    | -                |
| -                      | -                         | 7,894                   | 57,547              | -                     | -                    | -                    | -                |
| -                      | -                         | -                       | -                   | 265                   | 227,335              | 7,152                | -                |
| -                      | -                         | -                       | -                   | -                     | -                    | -                    | -                |
| 14,917                 | 11,597                    | 7,894                   | 57,547              | 265                   | 227,335              | 7,152                | -                |



**City of Jefferson**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**

**Nonmajor Governmental Funds**

**As of and for the year ended June 30, 2009**

|   | Capital Projects |              |                  |              |                 | Permanent      |                  |
|---|------------------|--------------|------------------|--------------|-----------------|----------------|------------------|
|   | Drainage         | Drainage     | Railroad         | Water        | Harrison        | Cemetery       |                  |
|   | District #97     | District #57 | Grade            | System       | Street          | Perpetual      | Total            |
|   |                  |              | Separation       | Improvements | Sewer Main      | Care           |                  |
| <b>Receipts:</b>  |                  |              |                  |              |                 |                |                  |
| Property taxes  | -                | -            | -                | -            | -               | -              | 329,103          |
| Tax increment financing                                       | -                | -            | -                | -            | -               | -              | 113,542          |
| Other city tax  | -                | -            | -                | -            | -               | -              | -                |
| Use of money and property                                     | -                | -            | -                | -            | -               | -              | 3,243            |
| Intergovernmental   | -                | -            | -                | -            | -               | -              | 73,934           |
| Charges for service   | -                | -            | -                | -            | -               | -              | 83,070           |
| Miscellaneous   | -                | -            | 3,982            | -            | 1,331           | 16,500         | 74,764           |
| <b>Total receipts</b>   | -                | -            | <b>3,982</b>     | -            | <b>1,331</b>    | <b>16,500</b>  | <b>677,656</b>   |
| <b>Disbursements:</b>   |                  |              |                  |              |                 |                |                  |
| Operating:  |                  |              |                  |              |                 |                |                  |
| Public safety   | -                | -            | -                | -            | -               | -              | 3,711            |
| Public works  | -                | -            | -                | -            | -               | -              | -                |
| Culture and recreation  | -                | -            | -                | -            | -               | -              | 13,547           |
| Community and economic development                            | -                | -            | -                | -            | -               | -              | 153,735          |
| Health and social services                                    | -                | -            | -                | -            | -               | -              | 9,202            |
| General government  | -                | -            | -                | -            | -               | -              | -                |
| Debt service  | -                | -            | -                | -            | -               | -              | 337,605          |
| Capital projects  | 4,086            | -            | 281,563          | -            | -               | -              | 322,671          |
| Business type activities                                      | -                | -            | -                | -            | -               | -              | 114,192          |
| <b>Total disbursements</b>                                    | <b>4,086</b>     | -            | <b>281,563</b>   | -            | -               | -              | <b>954,663</b>   |
| Excess (deficiency) of receipts<br>over (under) disbursements | (4,086)          | -            | (277,581)        | -            | 1,331           | 16,500         | (277,007)        |
| SRF loan proceeds   | -                | -            | -                | -            | -               | -              | -                |
| Operating transfers in (out)                                  | -                | -            | -                | -            | -               | -              | 60,000           |
| <b>Total other financing sources (uses)</b>                   | -                | -            | -                | -            | -               | -              | <b>60,000</b>    |
| <b>Net change in cash balances</b>                            | <b>(4,086)</b>   | -            | <b>(277,581)</b> | -            | <b>1,331</b>    | <b>16,500</b>  | <b>(217,007)</b> |
| Cash balances beginning of year                               | 22,361           | 4,827        | (16,960)         | 3,000        | (32,208)        | 179,513        | 1,118,593        |
| Cash balances end of year                                     | 18,275           | 4,827        | (294,541)        | 3,000        | (30,877)        | 196,013        | 901,586          |
| <b>Cash Basis Fund Balances</b>                               |                  |              |                  |              |                 |                |                  |
| Unreserved:   |                  |              |                  |              |                 |                |                  |
| Special revenue funds   | -                | -            | -                | -            | -               | -              | 704,696          |
| Debt service funds  | -                | -            | -                | -            | -               | -              | 65,441           |
| Capital projects funds  | 18,275           | 4,827        | (294,541)        | 3,000        | (30,877)        | -              | (64,564)         |
| Permanent fund  | -                | -            | -                | -            | -               | 196,013        | 196,013          |
| <b>Total cash basis fund balances</b>                         | <b>18,275</b>    | <b>4,827</b> | <b>(294,541)</b> | <b>3,000</b> | <b>(30,877)</b> | <b>196,013</b> | <b>901,586</b>   |

See accompanying independent auditors' report.

**City of Jefferson**  
**Schedule of Indebtedness**  
**Year ended June 30, 2009**

| <b>Obligation</b>                | <b>Date of Issue</b> | <b>Interest Rates</b> | <b>Amount Originally Issued</b> |
|----------------------------------|----------------------|-----------------------|---------------------------------|
| <b>General obligation bonds:</b> |                      |                       |                                 |
| Corporate purpose bonds          | Sep 1, 2003          | 2.95-3.70%            | \$ 1,875,000                    |
| Corporate purpose bonds          | May 26, 2005         | 3.30-3.50%            | 1,120,000                       |
| Total                            |                      |                       |                                 |
| <b>Revenue notes:</b>            |                      |                       |                                 |
| Water                            | Mar 1, 2003          | 2.00-3.70%            | \$ 1,820,000                    |
| <b>State revolving loan:</b>     |                      |                       |                                 |
| 2003 Sewer revenue bonds         | Jun 30, 2003         | 3.00%                 | \$ 4,951,000                    |
| Recycling truck                  | Oct, 2007            | 3.00%                 | \$ 59,749                       |

See accompanying independent auditors' report.

| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid | Interest<br>Due and<br>Unpaid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|-------------------------------|
| 1,780,000                       | -                        | 100,000                    | 1,680,000                 | 60,580           | -                             |
| 335,000                         | -                        | 165,000                    | 170,000                   | 11,225           |                               |
| 2,115,000                       | -                        | 265,000                    | 1,850,000                 | 71,805           | -                             |
| 875,000                         | -                        | 205,000                    | 670,000                   | 30,358           | -                             |
| 3,851,000                       | -                        | 191,000                    | 3,660,000                 | 115,530          | -                             |
| -                               | 52,432                   | 9,754                      | 42,678                    | 1,499            |                               |

City of Jefferson  
Bond and Note Maturities  
June 30, 2009

| General Obligation Notes   |                                      |                     |                                      |                   |                  |
|----------------------------|--------------------------------------|---------------------|--------------------------------------|-------------------|------------------|
| Year<br>Ending<br>June 30, | Corporate Purpose<br>Issued Sep 2003 |                     | Corporate Purpose<br>Issued May 2005 |                   | Total            |
|                            | Interest<br>Rates                    | Amount              | Interest<br>Rates                    | Amount            |                  |
| 2010                       | 2.95                                 | 100,000             | 3.40                                 | 170,000           | 270,000          |
| 2011                       | 3.15                                 | 290,000             |                                      | -                 | 290,000          |
| 2012                       | 3.35                                 | 305,000             |                                      | -                 | 305,000          |
| 2013                       | 3.45                                 | 315,000             |                                      | -                 | 315,000          |
| 2014                       | 3.60                                 | 330,000             |                                      | -                 | 330,000          |
| 2015                       | 3.70                                 | 340,000             |                                      | -                 | 340,000          |
| Total                      |                                      | <u>\$ 1,680,000</u> |                                      | <u>\$ 170,000</u> | <u>1,850,000</u> |

See accompanying independent auditors' report.

**City of Jefferson**  
**Bond and Note Maturities**  
**June 30, 2009**

| Year<br>Ending<br>June 30, | Revenue Notes      |                   |  |                     | Other Debt         |                  |
|----------------------------|--------------------|-------------------|--|---------------------|--------------------|------------------|
|                            | Water              |                   | State Revolving Loan<br>2003 Sewer Revenue Bonds |                     | Recycling<br>Truck |                  |
|                            | Issued Mar 1, 2003 |                   | Issued Jun 30, 2003                              |                     | Issued Oct 2007    |                  |
|                            | Interest<br>Rates  | Amount            | Interest<br>Rates                                | Amount              | Interest<br>Rates  | Amount           |
|                            |                    |                   |  |                     |                    |                  |
| 2010                       | 3.30               | 215,000           | 3.00   | 197,000             | 3.00               | 9,548            |
| 2011                       | 3.55               | 225,000           | 3.00   | 203,000             | 3.00               | 9,845            |
| 2012                       | 3.70               | 230,000           | 3.00   | 209,000             | 3.00               | 10,151           |
| 2013                       |                    | -                 | 3.00   | 215,000             | 3.00               | 10,467           |
| 2014                       |                    | -                 | 3.00   | 221,000             | 3.00               | 2,667            |
| 2015                       |                    | -                 | 3.00   | 228,000             |                    | -                |
| 2016                       |                    | -                 | 3.00   | 235,000             |                    | -                |
| 2017                       |                    | -                 | 3.00   | 242,000             |                    | -                |
| 2018                       |                    | -                 | 3.00   | 249,000             |                    | -                |
| 2019                       |                    | -                 | 3.00   | 257,000             |                    | -                |
| 2020                       |                    | -                 | 3.00   | 264,000             |                    | -                |
| 2021                       |                    | -                 | 3.00   | 272,000             |                    | -                |
| 2022                       |                    | -                 | 3.00   | 281,000             |                    | -                |
| 2023                       |                    | -                 | 3.00   | 289,000             |                    | -                |
| 2024                       |                    | -                 | 3.00   | 298,000             |                    | -                |
| Total                      |                    | <u>\$ 670,000</u> |  | <u>\$ 3,660,000</u> |                    | <u>\$ 42,678</u> |

See accompanying independent auditors' report.

## City of Jefferson

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Six Years

|                                     | 2009                | 2008                | 2007                | 2006                | 2005                | 2004                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Receipts:</b>                    |                     |                     |                     |                     |                     |                     |
| Property tax                        | \$ 1,664,104        | \$ 1,558,793        | \$ 1,586,705        | \$ 1,599,116        | \$ 1,535,837        | \$ 1,413,435        |
| Tax increment financing collections | 113,542             | 358,511             | 307,079             | 251,752             | 206,592             | 184,977             |
| Other city tax                      | 461,913             | 335,753             | 144,994             | 56,549              | 55,725              | 57,917              |
| Licenses and permits                | 17,592              | 26,435              | 33,796              | 18,089              | 18,303              | 14,600              |
| Use of money and property           | 29,917              | 35,073              | 35,863              | 16,862              | 14,096              | 12,225              |
| Intergovernmental                   | 518,174             | 691,411             | 742,255             | 950,415             | 915,590             | 606,722             |
| Charges for service                 | 377,566             | 395,006             | 413,822             | 456,697             | 457,735             | 316,278             |
| Miscellaneous                       | 389,056             | 104,313             | 97,895              | 72,250              | 107,909             | 115,591             |
| <b>Total</b>                        | <b>\$ 3,571,864</b> | <b>\$ 3,505,295</b> | <b>\$ 3,362,409</b> | <b>\$ 3,421,730</b> | <b>\$ 3,311,787</b> | <b>\$ 2,721,745</b> |
| <b>Disbursements:</b>               |                     |                     |                     |                     |                     |                     |
| <b>Operating:</b>                   |                     |                     |                     |                     |                     |                     |
| Public safety                       | \$ 522,416          | \$ 586,397          | \$ 497,633          | \$ 496,320          | \$ 489,929          | \$ 556,413          |
| Public works                        | 395,213             | 398,133             | 371,245             | 404,907             | 440,591             | 423,836             |
| Culture and recreation              | 9,202               | 6,740               | 7,988               | 883,826             | 803,456             | 778,352             |
| Community and economic development  | 865,424             | 834,445             | 871,208             | 478,638             | 410,310             | 154,769             |
| Health and social services          | 224,503             | 608,126             | 297,139             | 15,142              | 8,492               | -                   |
| General government                  | 447,921             | 867,015             | 435,667             | 449,568             | 391,135             | 369,158             |
| Debt service                        | 337,605             | 461,684             | 588,602             | 595,908             | 1,700,641           | 577,531             |
| Capital projects                    | 583,660             | 59,528              | 155,407             | 878,420             | 2,344,771           | 4,102,904           |
| Business type activities            | 114,192             | 81,851              | 207,691             | 80,398              | -                   | -                   |
| <b>Total</b>                        | <b>\$ 3,500,136</b> | <b>\$ 3,903,919</b> | <b>\$ 3,432,580</b> | <b>\$ 4,283,127</b> | <b>\$ 6,589,325</b> | <b>\$ 6,962,963</b> |

See accompanying independent auditor's report.

**City of Jefferson**

Independent Auditors' Report on  
Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 11, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jefferson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Jefferson's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Jefferson's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Jefferson's financial statements that is more than inconsequential will not be prevented or detected by the City of Jefferson's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Jefferson's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jefferson's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Jefferson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Jefferson's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Jefferson and other parties to whom the City of Jefferson may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Jefferson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 11, 2010  
Ames, Iowa

**City of Jefferson**

**City of Jefferson**

**Schedule of Findings**

**Year ended June 30, 2009**

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Jefferson

Schedule of Findings

Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

**II-A-09 Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

**Recommendation** - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

**Response** - We will consider this.

**Conclusion** - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Jefferson  
Schedule of Findings

Year ended June 30, 2009

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-09 **Certified Budget** - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public works and business type functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

**Recommendation** - Although the budget was amended once, it should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Response** - We will do so.

**Conclusion** - Response accepted.

- III-B-09 **Questionable Disbursements** - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-09 **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-09 **Business Transactions** -Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title, and<br/>Business Connection</u>  | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Derek Teeples, brother of employee<br>and son of Council Member, owner<br>of Teeples Heating and Cooling | Services                           | 492           |
| Shadran, owned by Council Member<br>Randy Monthei  | Supplies                           | 13,322        |
| Mike Wright, Employee,<br>Owner of Wright Electric LLC   | Services                           | 359           |

City of Jefferson  
Schedule of Findings  
Year ended June 30, 2009

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Teeples Heating and Cooling and Wright Electric do not appear to represent a conflict of interest because total transactions with each business did not exceed \$1,500. The transactions with Shadran appear to represent a conflict of interest since they exceeded \$1,500.

Recommendation - The City should consult with legal counsel to determine the disposition of this matter.

Response - We will do so.

Conclusion - Response accepted.

III-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-09 Deposits and Investments - The City and its component unit own \$2,325 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

III-H-09 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-09 Outstanding Checks - Per Chapter 556.11 of the Code of Iowa, checks that are still outstanding after three years should be reported to the State Treasurer annually by November 1st. The City did not do this.

Recommendation - The City should comply with Chapter 556.11 of the Code of Iowa.

Response - We will do so.

Conclusion - Response accepted.

**City of Jefferson**  
**Schedule of Findings**  
**Year ended June 30, 2009**

**III-J-09   Financial Condition - The City had the following deficit balances at June 30, 2009:**

|                                |         |
|--------------------------------|---------|
| <b>Capital Projects Funds:</b> |         |
| Harrison Street Sewer Main     | 30,877  |
| Railroad Grade Separation      | 294,541 |

**Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.**

**Response -The deficits will be eliminated.**

**Conclusion - Response accepted.**